

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 SP-02 EB-08 INR-07 /047 W
-----085513 201900Z /44

P R 201715Z JAN 78
FM AMEMBASSY SAN JOSE
TO SECSTATE PRIORITY 9920
AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY PANAMA
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SECTION 1 OF 2 SAN JOSE 0317

GUATEMALA FOR AMBASSADOR TODMAN; HOLD FOR ARRIVAL

E.O. 11652: GDS
TAGS: OVIP, CS
SUBJECT: VISIT OF ASSISTANT SECRETARY TODMAN: SINCE YOU WENT AWAY

1. UNSURPRISINGLY, PRESIDENTIAL POLITICS HAS DOMINATED COSTA RICAN INTEREST INCREASINGLY DURING THE PAST 12 MONTHS. AGAINST A BACKDROP OF AN EXCELLENT ECONOMIC YEAR AND A GENERALLY-CONSIDERED COMMENDABLE ODUER GOVERNMENT PERFORMANCE, DURING THE PAST MONTHS THE PRESIDENT HAS CONCENTRATED ON COMPLETING HIS GOVERNMENT'S AMBITIOUS, AND, IN OUR VIEW, MOSTLY SUCCESSFUL, SOCIO-ECONOMIC PROGRAM. THER IS NOTABLE PHYSICAL PROGRESS--IN RURAL AREAS ESPECIALLY (BUT ALSO WITH IMPROVEMENTS ON THE SANTA ANA ROAD AND THE SABANA) AND WITH MORE SCHOOLS, FEEDER ROADS, LAND DISTRIBUTION, AND FAMILY ALLOWANCES TYPE PROGRAMS. ALL OF THESE HAVE HAD SOME PAY-OFF POLITICALLY. ACCORDING TO CASA PRESIDENCIAL POLLS, THE GOVERNMENT'S RECORD IS CONSIDERED GOOD BY THE PUBLIC, BETTER IN 1977 THAN IN PREVIOUS YEARS, AND IN GENERAL, BETTER IN THE COUNTRYSIDE THAN IN THE CITIES. PLN HOPES THIS WILL BE THE BASIS FOR THEIR ELECTION VICTORY.

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2. IT HAS BEEN A BOOM YEAR PRIMARILY DUE TO COFFEE PRICES AND FOREIGN CAPITAL INFLOWS. THER WAS 6.9 PERCENT GROWTH IN 1977 IN REAL GDP. INFLATION HAS BEEN HELD, ACCORDING TO OFFICIAL FIGURES, TO 4.3 PERCENT. THE POTENTIAL WEAK SPOTS ARE THE EXPANSIONARY FISCAL POLICIES PURSUED, WHICH HAVE RESULTED IN A LARGER GOVERNMENT DEFICIT IN 1977 THAN

1976, AND CONTINUED GROWTH OF EXTERNAL DEBT.

3. POLITICALLY, THE COUNTRY WENT THROUGH A KIND OF BOOM YEAR AS WELL. FROM THE HEALTHY PRIMARY ELECTION PROCESS IN MARCH, THE TWO PRINCIPAL CANDIDATES, LUIS ALBERTO MONGE AND RODRIGO CARAZO, EMERGED. YOU WILL RECALL THAT THEY BEAT OUT HERNAN GARRON AND MIGUEL BARZUNA RESPECTIVELY. IT HAS BEEN A BETTER THAN EXPECTED YEAR FOR CARAZO, WHO HAS ALMOST TOTALLY ECLIPSED THE REST OF THE OPPOSITION TO MAKE IT A TWO-MAN RACE. THIS IS DUE SIGNIFICANTLY TO "JUNIOR" CALDERON'S SUPPORT. NEVERTHELESS, THE OLD NATIONAL UNIFICATION OF GUILLERMO VILLALOBOS (AFTER PACO CALDERON'S DEATH) AND PNI'S JORGE GONZALEZ MARTEN COULD STILL BE SPOILERS. THE LEFT IS SOMEWHAT ORGANIZED IN A THREE-PARTY COALITION. THEY'LL PROBABLY DO BETTER IN 78 THAN IN 74.

4. ELECTIONS TAKE PLACE, YOU WILL RECALL, ON FEBRUARY 5. DON CHICO SAENZ' SUPREME ELECTORAL TRIBUNAL IS HARD AT WORK. THE COUNTRY IS STEEPED IN A HARD FOUGHT, YET SO FAR VERY CIVIL AND PEACEFUL CAMPAIGN, HIGHLY VISIBLE IN THE URBAN AREAS BUT PENETRATING ALSO EVEN INTO THE FAR REACHES OF THE COUNTRYSIDE. THE ISSUES HAVE CENTERED LARGELY ON CONTINUISMO AND THE PERSONAL IMAGES OF THE CANDIDATES. "FOUR MORE YEARS" AGAINST "YOU NEVER HID IT SO GOOD". THE PARTY (THE GREEN MACHINE) AGAINST THE BETTER MANAGER AND MORE ATTRACTIVE "MACHO" CARAZO. CONFIDENTIAL

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5. THE GOVERNMENT AND THE PLN TICK OFF THE IMPRESSIVE SOCIO-ECONOMIC RECORD OF THE PAST EIGHT YEARS. PLN CHARGES THAT CARAZO WILL TURN BACK THE CLOCK, DISMANTLE THE FAMILY ALLOWANCES PROGRAM, MERGE THE GUARDS TO FORM AN ARMY. CARAZO SAYS HE CAN GIVE THE COUNTRY "PROGRESS WITH DIGNITY". HE PROMISES NOT TO ABANDON GOVERNMENT SOCIAL PROGRAMS, BUT TO RUN THEM MUCH MORE EFFICIENTLY AND WITHOUT THE BLOATED PLN BUREACRACY. HE SPEAKS CONVINCINGLY TO THE FLET NEED FOR BETTER POLICE PROTECTION.

6. EACH SIDE SAYS THAT THE OTHER IS CONTROLLED BY A RULING CLIQUE. PLN IS DEPICTED AS THE POLITICAL HOME OF THE BUREAUCRATS, THE CORRUPT, THE VESCO PROTECTORS. CARAZO'S "UNITY" IS CHARGED WITH BEING CONTROLLED BY THE ECONOMIC ELITE, LA NACION AND LA REPUBLICA, AND TURNCOAT LIBERACION-ISTAS.

7. DON PEPE, LA NACION'S 1977 MAN OF THE YEAR, HAD AN ACTIVE POLITICAL YEAR. YOU WILL RECALL THE NEW REPUBLIC HULLABALOO IN APRIL-MAY WHEN FIGUERES VOLUNTEERED THE NEWS THAT VESCO HAD FINANCED THE 1974 ODUBER CAMPAIGN. THE

LEGISLATIVE INVESTIGATION THAT FOLLOWED WAS INCONCLUSIVE. FIGUERES AND ODUBER CONTINUE TO BE ESTRANGED POLITICALLY; THEY RECENTLY MET, HOWEVER, FOR THE FIRST TIME IN MONTHS-- AT DAVID REUBEN'S HOUSE FOR LUNCH. HEALTHWISE FIGUERES IS AS YOU SAW HIM IN JUNE, ALTHOUGH HE HAD A SLIGHT CARDIAC DEFICIENCY IN DECEMBER WHICH LAID HIM UP FOR THREE WEEKS. RE THE CAMPAIGN, FIGUERES IS NOW PUBLICLY SUPPORTING MONGE; HE HAS MADE ONE TV SPEECH AND OCCASIONALLY SPEAKS FROM PUBLIC PLAZAS WITH MONGE. INCIDENTLY, BECAUSE OF ONE THOSE CAMPAIGN OBLIGATIONS, BOTH MONGE AND FIGUERES ARE DROPOUTS FOR THE JANUARY 28 RECEPTION. SOME OTHER POLS WILL PROBABLY REGRET FOR SIMILAR REASONS.

8. BILATERAL ECONOMIC ISSUES
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--MEAT EXPORTS TO THE US: BECAUSE OF A CONJUNCTION OF UNUSUAL FACTORS, THE MEAT RESTRAINT PROGRAM WAS NOT A SOURCE OF UNDUE IRRITATION IN OUR BILATERAL RELATIONS IN 1977. COMPLAINTS WERE VOICED, THOUGH, ABOUT THE LOW MEAT PRICES PREVAILING IN THE US MARKET. THOSE LOW PRICES. COUPLED WITH SUBSTANTIAL COSTA RICAN SHIPMENTS (27 MILLION POUNDS) TO THE HIGHER PRICED (ABOUT 5 CENTS PER POUND HIGHER THAN IN THE US) VENEZUELAN MARKET SERVED TO DEFLATE

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ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 SP-02 EB-08 INR-07 /047 W
-----084415 201900Z /43

P R 201715Z JAN 78
FM AMEMBASSY SAN JOSE
TO SECSTATE WASHDC PRIORITY 9921
AMEMBASSY GUATEMALA
AMEMBASSY MANAGUA
AMEMBASSY PANAMA
AMEMBASSY SAN SALVADOR
AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L SECTION 2 OF 2 SAN JOSE 0317

GUATEMALA FOR AMBASSADOR TODMAN; HOLD FOR ARRIVAL

ECONOMIC AND POLITICAL PRESSURES ON THE GOCR TO DEMAND BETTER ACCESS TO THE US MARKET. THIS MARKET SITUATION BECAME PUBLICLY EVIDENT WHEN COSTA RICA RECEIVED A 5 MILLION POUND SHORTFALL REALLOCATION IN NOVEMBER 1977, BUT WAS ONLY ABLE TO USE ONLY 1.4 MILLION FOR A TOTAL OF 58 MILLION POUNDS. DON DANEIL AND RODOLFO SILVA, WHO IS VISITING, DON'T LET UP ON THE COMPLAINT, BUT YOU CAN POINT OUT FOR 1978 THAT:

--THE RESTRAINT LEVEL HAS BEEN INCREASED BY 900,000 POUNDS TO A TOTAL OF 56.6 MILLION POUNDS.

--UNLIKE 1976 THERE WAS NO BULGE IN YEAR-END SHIPMENTS WHICH ENTERED IN BOND TO COUNT AGAINST THE SUBSEQUENT YEAR'S QUOTA. THUS IN 1977 COSTA RICA WAS, IN EFFECT, LIMITED TO SHIPMENTS OF SOME 43 MILLION POUNDS DESPITE A QUOTA OF 55.6 MILLION POUNDS; IN 1978, THEY HAVE NO HANGOVER FROM 1977 SHIPMENTS AND THE EFFECTIVE RESTRAINT LEVEL IS 56.6 MILLION POUNDS, AN INCREASE OF 30 PERCENT OVER 1977.

--THE VENEZUELAN MARKET MAY REMAIN OPEN TO COSTA RICAN MEAT, AT LEAST THROUGH THE FIRST HALF OF 1978, THEREBY RELIEVING PRESSURE ON SHIPMENTS TO THE US MARKET. IN SUM, WE DON'T ANTICIPATE SEVERE PROBLEMS ON THIS ISSUE IN 1978, AND THERE ARE SOME INDICATIONS, THOUGH THIS IS GETTING TO BE A SHOPWORN HOPE, THAT A MEAT RESTRAINT

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PROGRAM WILL NOT BE NECESSARY IN 1979.

--SUGAR: RECENT IMPORT RESTRICTIVE MEASURES BY THE US TO RESTRAIN SUGAR IMPORTS HAVE NOT CAUSED ANY SPECIFIC BILATERAL PROBLEMS. THIS IS LARGELY THE RESULT OF THE GOCR'S PERCEPTION THAT AN INCREASE IN THE SUGAR TARIFF PROVIDES PROTECTION NOT JUST TO US DOMESTIC SUGAR PRODUCERS BUT ALSO TO THOSE FEW FOREIGN PRODUCERS (INCLUDING COSTA RICA) THAT ARE STILL BENEFICIARIES OF GSP DUTY FREE TREATMENT. IF THIS IS DROPPED, HOWEVER, BIG TROUBLE. ADDITIONALLY, THE RELATIVELY FAVORABLE TREATMENT THAT COSTA RICA RECEIVED IN QUOTA ALLOCATIONS UNDER THE INTERNATIONAL SUGAR AGREEMENT HAS SERVED TO DISSIPATE PRESSURES FROM THE COSTA RICAN SUGAR INDUSTRY FOR ADDITIONAL (APART FROM GSP) FAVORED TREATMENT FROM THE US.

--TEXTILES: SOME APPREHENSION HAS BEEN EXPRESSED BY GOCR OFFICIALS THAT US TEXTILE IMPORTS FROM COSTA RICA UNDER TSUS 807.00 (DRAW-BACK) MIGHT BE SUBJECTED TO RESTRICTIONS. THERE ARE NO QUANTITATIVE RESTRICTIONS ON COSTA RICAN TEXTILE EXPORTS TO THE US AT THIS TIME.

9. BILATERAL POLITICAL ISSUES

--VESCO: FOLLOWING THE ODUER ANNOUNCEMENT IN JUNE THAT VESCO WOULD DEPART COSTA RICA ONCE LOCAL LEGAL IMPEDIMENTS WERE LIFTED AND HE PUT HIS FINANCES IN ORDER, NOTHING HAS HAPPENED. VESCO'S CURRIDABAT HOME IS FOR SALE; HE HAS MOVED TO HIS RANCH. HIS NAME IS A POLITICAL ISSUE, AS A MANIFESTATION OF PLN CORRUPTIONS. VESCO CONTINUES TO KEEP A LOW PROFILE AND TO DEPICT HIMSELF AS THE GENTLEMAN FARMER. HE HAS HAD SOME SUCCESS IN THIS. WHEN WE ARE ASKED (NOW

MORE INFREQUENTLY THAN IN THE PAST) WE RESPOND THAT THE US JUDICIAL SYSTEM LIKE THE TICO ONE IS FAIR, THAT WE WANT VESCO TO APPEAR BEFORE THE BAR OF US JUSTICE, THAT HE IS A FUGITIVE, AND THAT EXTRADITION IS UNDER DEPT OF JUSTICE STUDY. WE ALSO ADD THAT THE DEPT OF STATE PUBLICLY RECOMMENDED EXTRADITION LAST JUNE.

10. CARIBBEAN AND CUBA: DON DANIEL WILL HAVE EXPLORED WITH YOU HIS LATEST THOUGHTS ON THE CARIBBEAN. HE HAS DWELT ON HIS CARIBBEAN
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RIM THEORIES WITH VISITING CODELS, MOST RECENTLY HENRY REUSS' BANKING, FINANCE, AND URBAN AFFAIRS COMMITTEE. RE CUBA, RELATIONS REMAIN COMMERCIAL AND CONSULAR. CANDIDATE MONGE SAYS THAT HE HAS DIFFICULTY WITH FULL DIPLOMATIC RELATIONS BECAUSE OF THE POLITICAL PRISONERS IN CUBAN JAILS. CARAZO SAYS THERE WON'T BE ANY BILATERAL RELATIONS IN HIS GOVERNMENT.

11. THE ARTS: THERE ARE TWO MAJOR ARTISTIC EVENTS ON COSTA RICA'S 1978 CALENDAR, BOTH OF WHICH INVOLVE THE US. ONE, OF COURSE, IS THE YOUTH SYMPHONY'S PLANNED TOUR OF THE UNITED STATES INCLUDING A WHITE HOUSE PERFORMANCE. ARRANGEMENTS ARE ANYTHING BUT FIRM AT THIS POINT, BUT THE YOUTH SYMPHONY NEVERTHELESS IS PLANNING ITS TOUR FOR APRIL 16-30. GUIDO SAENZ AND OTHERS MAY WELL WANT TO DISCUSS THIS WHILE YOU ARE HERE. THE SECOND EVENT IS A MAJOR ART EXHIBIT WHICH IS EXPECTED TO OPEN ON MAY 2 UNDER THE JOINT SPONSORSHIP OF THE GOCR, THE INSTITUTO NACIONAL DE SEGUROS, THE MICHIGAN NATIONAL CORPORATION, AND THE DETROIT INSTITUTE OF FINE ARTS. THIS EXHIBIT IS THE RESULT OF A FEBRUARY '77 SUGGESTION BY MRS LILLIAN BERKMAN, A MEMBER OF THE BOARD OF THE MNC, WHO IS ALSO OWNER OF A VALUABLE PRIVATE ART COLLECTION AND AN IMPORTANT PATRONESS OF THE ARTS IN THE UNITED STATES. THE EXHIBIT WILL FEATURE EUROPEAN AND US MASTERS FROM THE 16TH TO THE EARLY 20TH CENTURY; APPROXIMATELY 4 PAINTINGS WITH A TOTAL VALUE OF 30 MILLION DOLLARS. THE EXHIBIT WILL BE HOUSED IN THE NEW MUSEUM OF THE INS AND WILL BE OPEN FOR SIXTY DAYS.

12. VISITING CODELS: IN THE LAST TWO MONTHS THREE CODELS HAVE VISITED COSTA RICA, TWO OF THEM ON THE WAY TO PANAMA. SENATOR MCGOVERN AND SENATOR BENTSEN, AND CONG HENRY REUSS PLUS EIGHT HOUSE COLLEAGUES ALL HAD FULL PROGRAMS, INCLUDING SUBSTANTIVE MEETINGS WITH ODUBER. COSTA RICANS WERE PLEASED WITH THESE VISITS. AFTER MRS CARTER, ANDY YOUNG, CODELS, AND NOW YOUR HOMECOMING, COSTA RICANS NOWADAYS ARE FEELING APPROPRIATELY "CONSULTED".
WEISSMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 20 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978SANJO00317
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780031-0320
Format: TEL
From: SAN JOSE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780140/aaaabhfi.tel
Line Count: 270
Litigation Code IDs:
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: d71bc7e1-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3740261
Secure: OPEN
Status: NATIVE
Subject: VISIT OF ASSISTANT SECRETARY TODMAN: SINCE YOU WENT AWAY
TAGS: OVIP, CS, (TODMAN, TERENCE A)
To: STATE GUATEMALA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/d71bc7e1-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014